

Continued Council Meeting—May 20, 2014

The continued meeting of the Council of the Town of Altavista was held in the Council Chambers of the J.R. Burgess Municipal Building, 510 Seventh Street on May 20, 2014 at 5:00 p.m.

1. Mayor Mattox called the meeting to order and presided.

Council members
present:

Mayor Michael Mattox
Mrs. Beverley Dalton
Mr. Charles Edwards
Mr. Tracy Emerson
Mr. Bill Ferguson
Mr. Timothy George
Mr. Jay Higginbotham

Also present:

Mr. J. Waverly Coggsdale, III, Town Manager
Mrs. Tobie Shelton, Finance Director
Mr. John Eller, Town Attorney

2. Water Line Project Financing Plan Presentation

Mr. Coggsdale introduced Ms. Dianne Klaiss, Raymond James Mid-Atlantic Public Finance. She presented Council with a power point presentation in regards to the water line project financing plan.

Ms. Klaiss stated the Town has seven projects at a cost of \$10.7 million to be financed over the next 10 to 15 years. She has been asked to develop a financing plan for the Town of Altavista and whether to pay cash or borrow funds based on the current market and the Town's finances. When a locality issues a municipal bond depending on the length of time they want to take the debt for whether it is 5, 10, or 20 years every year has its own interest rate; this is how an underwriter will decide. The current interest rates are below average and the town has funds available to pay the debt service back, she suggested the Town borrow for capital improvements and save cash to fund projects in a higher interest rate environment or reserve cash for any kind of contingencies. She noted liquidity is credit strength; having cash available for emergencies provides flexibility. She mentioned the Machinery and Tools tax was the largest part of the town's revenue and questioned what would happen if the biggest machinery and tools taxpayer left town. She stated the Town needs to be prepared for a contingency if something like that happens; have a plan of action in place. She related to Council the best financing plan if they decide to take that route through bank loans and/or Virginia Resources Authority (VRA). Ms. Klaiss compared 10, 15, and 20 year loans and stated the VRA is the better choice. She stated the current year treasury rate is 2.72% and since 2000 the average of the 10 year treasury is 3.89%. Mrs. Klaiss presented Council with a chart showing the cost for Projects 1A or Project 1A and 1B; the Town could save approximately \$175,000 in total debt service by funding both projects in FY2015 assuming interest rates increase by 1.00% in FY2016. She noted due to IRS regulations, the Town would be required to spend proceeds of the Project within 24 months in order to be excluded from arbitrage rebate.

Mrs. Dalton questioned the arbitrage rebate.

Mrs. Klaiss advised you can only earn up to your bond yield on proceeds.

Mrs. Dalton questioned the results if this happened.

Mrs. Klaiss advised the difference would have to be repaid.

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Mrs. Klaiss advised of their recommendations:

- Borrow funds if interest rates are below average.
- Use cash for the Project in higher interest rate environment.
- Fund project 1A & 1B now to realize debt service savings only if 1B construction can be accelerated into calendar 2015.
- Build up Project Reserves from excess General Fund Revenue in order to fund the Project with cash in higher interest rate environment.
- Due to the ever changing financial environment, prior to each financing implementation or cash outlay, determine the most cost effective method of financing the project via cash or debit.

Mr. Edwards felt there might be a problem with cash flow with all the projects and felt we should figure out what surpluses will be.

Mrs. Klaiss advised comparing Altavista to other localities, their fund balance percentage is in the median, with the general fund being \$4.8 Million. She stated if the Town wanted to fund some with cash, the 5 year average of the Town's general fund revenue would be \$4,600,000. She stated the current reserve policies and funding for FY2014 are:

100% of 2013 General Fund Revenue:	\$4,827,099
50% of 2013 Enterprise Fund Expenses:	<u>\$1,315,596</u>
	\$6,142,695

If the Town decided they wanted to reduce that and went to a 75% Fund Balance Reserve based on the 5-year average of the general fund revenue, the general fund revenue would be \$3.5 million.

Mrs. Klaiss noted with a commitment from the Town to keep a minimum reserve in the amount of 75% of the average of the 5-year General Fund Revenue \$1,326,000 could be released from the General Fund Reserve when cash is needed to fund the project and 50% of enterprise fund expenses is a customary minimum reserve for an enterprise fund.

Mrs. Klaiss offered some additional financing options with the VRA Drinking water revolving loan fund administered by the VRA and the Virginia Department of Health which could be dual tracked with a VRA Pool financing to determine the lowest financing option.

Mr. Coggsdale stated this was viable alternative to look at for any project in the future.

Mr. Higginbotham mentioned if \$10 million is being borrowed Council should be looking at this; he was intrigued with the USDA and the VRA but not excited about paying \$90,000 on a \$3 million loan.

Mrs. Klaiss explained the \$90,000 would pay for the credit ratings the VRA has to obtain in order to sell bonds, an underwriter, and legal counsel as well. She mentioned a bank loan will cost \$30,000 but a cheaper interest rate is obtained with a VRA. Mrs. Klaiss noted a bank loan could be obtained for 10 years then a VRS for another 10; any variation could be considered make sure the principal payback meets certain criteria.

Mrs. Dalton stated Council is after the better rate and the right cash flow number to help get through it. Mrs. Dalton asked if refinancing was available if there was a bind.

Mrs. Klaiss stated there is advanced refunding; if rates are favorably, the loan can be refinanced. The funds would have to be escrowed until the 10 year and that would pay off the bonds in 10 years.

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Mr. Edwards felt Council needs to determine what the reserves will be and use some of that going along.

It was the consensus of Council to look at borrowing \$3 to \$5 million; to research the dual track financing and forward to Finance for additional review.

3. FY2015 Budget Discussion

EMS Request

Mayor Mattox brought up items of concern to discuss in the proposed CIP. The Altavista EMS is requesting \$50,000 to go towards a new ambulance.

Mrs. Dalton felt the EMS offered a lot to the community as an emergency service. Historically this organization has been funded by contributions as they did not bill for services; but presently do bill for services. She felt this service was different from the Fire Company who do not bill for their services. Both identities receive funds from the County. She felt Council should look at the EMS differently than the Fire Company. Mrs. Dalton suggested splitting the \$50,000 request over a five year period; \$10,000 for five years during which time the EMS cannot request additional funding.

A motion was made by Mrs. Dalton, seconded by Mr. Emerson, to plan to split the \$50,000 EMS request over a five year period during which time the EMS cannot request additional funding.

Mr. Edwards stated he spoke to some officials with the EMS and they are spending approximately \$650,000 in expenses annually and suggested an amendment to split the \$50,000 over a three year period and any other funding be contingent on support from Pittsylvania County.

Mr. Higginbotham stated there is a place holder for 2% on all salaries, Council is considering a reduction in real estate taxes which will cost the Town \$43,000, the request of the EMS at \$50,000 and the Town is about to borrow \$3 to \$5 million. He stated somewhere the belt needs to be tightened; perhaps cutting money that is given to the community. He asked Council to be conscious of spending.

Mrs. Dalton felt EMS was supported in three ways by the taxpayer; as a taxpaying citizen of Altavista and Campbell County and if a Town citizen uses their services they are billed and again support the services.

Mr. Edwards stated he agreed but looking at the organizations supported he felt the EMS was the most important and Council is looking at giving them less.

Mrs. Dalton commented other organizations don't have the proceeds and the ability to bill; she assesses need.

Mr. Edwards withdrew his motion.

Motion carried:

VOTE:	Mr. Michael Mattox	Yes
	Mrs. Beverley Dalton	Yes
	Mr. Charles Edwards	Yes
	Mr. Tracy Emerson	Yes
	Mr. Bill Ferguson	Yes
	Mr. Timothy George	Yes
	Mr. Jay Higginbotham	Yes

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Health Insurance

Mrs. Shelton advised of two big changes to the group medical/vision coverage for the upcoming renewal for the plan year that begins July 1st. The group medical/vision plan costs which are provided through Coventry Health Care of Virginia, Inc. are increasing 23% over last year's. According to Ms. Becky Pollard, the health care consultant, for groups the Town's size, she is seeing from 8% to 54% rate increases. In addition to the large rate increase, Coventry is also, discontinuing the enhanced vision rider. The enhanced vision rider assists with the cost of frames, lenses and contact lenses. Coventry will continue to provide the basic vision which covers routine eye exams. The town employees will be receiving a 23% increase in cost with a decrease in benefits. The total (Town and Employee) current annualized premium for medical/vision is \$370,200. This amount will be increasing with the renewal to \$454,300, a difference of \$81,000. The Town will see an increase of \$42,700 and Employees will see an increase of \$41,400.

Mrs. Shelton also advised the plan cost for dental coverage which is provided through Ameritas is increasing 9% over last year's cost. She stated the total (Town and Employee) current annualized premium for dental is \$29,700. This amount will be increasing with the renewal to \$32,400, a difference of almost \$2,700. The Town will see an increase of \$1,700 and Employees will see an increase of \$1,000. With such an increase in insurance costs for both the Town and the Employee, staff felt it was important to make Council aware of the options.

- Council can renew with Coventry and Ameritas as is, with the addition of a vision rider and go out to bid for next plan year. The total cost to the Town would be \$302,700. An increase of \$28,700 will need to be added to the FY 2015 Budget.
- Council can renew with Coventry and Ameritas at the renewal rate, for 60 days and go out to bid now for a group plan effective date of September 1st.

Mrs. Shelton advised staff recommends it would be in the best interest of the Town as well as Employees to renew with Coventry and Ameritas for two months and go out to bid now, for a group plan effective date of September 1st.

Mrs. Shelton asked Council for guidance on what to look for when bidding out the insurance.

Mr. Edwards related his company which is a similar size as the town, is looking at a 12.5% increase. He used a consulting firm from Charlottesville and they suggested shopping for a health savings account (HSA) with a \$3,000 deductible. The company contributed \$2,000 into the HSA which gave the employee the \$1,000 deductible. He asked Mrs. Shelton to look at coverage with a \$3,000 deductible and what it would cost the Town.

A motion was made by Mrs. Dalton, seconded by Mr. George, to renew with Coventry and Ameritas at the renewal rate for 60 days and go out to bid now for a group plan effective date of September 1st.

Motion carried:

VOTE:

Mr. Michael Mattox	Yes
Mrs. Beverley Dalton	Yes
Mr. Charles Edwards	Yes
Mr. Tracy Emerson	Yes
Mr. Bill Ferguson	Yes
Mr. Timothy George	Yes
Mr. Jay Higginbotham	Yes

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Real Estate Taxes

Mr. George addressed Council in regards to his proposal to lower the real estate taxes.

A motion was made by Mr. George, seconded by Mr. Emerson, to reduce real estate tax rate by 10% (\$0.144 per \$100).

Mr. Higginbotham questioned the total the amount of the 10% reduction.

Mrs. Shelton responded the reduction would be \$42,700.

Mr. Higginbotham stated it was agreed upon to borrow \$3 to \$5 million dollars, he stated he has been accused of being so tight and has campaigned on lowering taxes but to borrow that amount of money how could Council lower taxes.

Mr. Edwards added if the tax rates were compared to the nine communities that were studied; the rate that was most out of balance was machinery and tools tax. An economic development office has been established and the rate is higher than what the Town should have. He felt if anything should be reduced it should be the machinery and tools tax.

Mr. George responded the business owners pay real estate taxes as well so this would benefit them as well as the property owners.

Mr. Ferguson felt the \$42,000 reduction was good publicity for the Town for economic development and did not feel the amount would make a big impact on the budget. He felt the benefit would outweigh any negative aspects of it.

Motion carried:

VOTE:	Mr. Michael Mattox	Yes
	Mrs. Beverley Dalton	No
	Mr. Charles Edwards	No
	Mr. Tracy Emerson	Yes
	Mr. Bill Ferguson	Yes
	Mr. Timothy George	Yes
	Mr. Jay Higginbotham	No

COLA

Mr. Higginbotham referred to the 2% cost of living adjustment in the budget and asked that it be reduced to 1%. Mr. Higginbotham stated Albemarle County is giving 1% and Bedford County is giving 0%. He stated Council always uses 2% as a place holder and it seems to stay in the budget.

A motion was made by Mr. Higginbotham, seconded by Mr. Edwards, to reduce the cost of living adjustment to 1%.

Mr. George stated for general information and not that Council has to do or not do what other jurisdictions do, Lynchburg City is giving a 2% COLA.

Mr. Emerson stated he did not feel every employee with the Town did the same job. There are people that come in certain days and do more work than others and some that come to work every day and do more work than others. He stated he was a fan of appraisal type raises. He did not believe everybody deserves the same amount of raise every year. He felt there should be performance raises as opposed to across the board raises.

Mrs. Dalton spoke in favor of the 2% increase and may be a little short of adequate considering the same amount of work is being done with fewer staff.

Mr. Ferguson concurred with Mrs. Dalton.

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Mayor Mattox stated he was bothered with the fact that less money is being taken home because of changes in taxes and insurance and was in favor of the 2% COLA increase.

Motion denied:

VOTE:	Mr. Michael Mattox	No
	Mrs. Beverley Dalton	No
	Mr. Charles Edwards	No
	Mr. Tracy Emerson	No
	Mr. Bill Ferguson	No
	Mr. Timothy George	No
	Mr. Jay Higginbotham	Yes

Town Manager Vehicle

Mr. Higginbotham asked that the Town Manager’s vehicle as listed in the budget be removed and that he use the economic development director’s vehicle.

Mr. Coggsdale questioned if the economic development director’s position is filled, how this would be handled.

It was consensus of Council to leave the Town Manager’s vehicle in the budget.

4. Adjournment

Mayor Mattox asked if there was anything else to bring before Council.

Mr. Mark Thomas, Altavista Journal Editor and organizer of the Uncle Billy’s Day, thanked Council for their support and advised the plans were coming together nicely.

The meeting was adjourned at 6:59 P.M.

Michael E. Mattox, Mayor

J. Waverly Coggsdale, III, Clerk